

Message Text

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C O N F I D E N T I A L STATE 081260

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REPLY FOR EUR/EE ONLY

E.O. 11652: GDS

TAGS: ETRD, HU

SUBJECT: CONGRESSIONAL INQUIRY ON HUNGARIAN LIGHT BULBS

1. CONGRESSMAN MICHAEL HARRINGTON, A MEMBER OF THE HOUSE INTERNATIONAL RELATIONS COMMITTEE, HAS WRITTEN TO BILL BARRACLOUGH ON BEHALF OF NORTH AMERICAN PHILLIPS, A LIGHT BULB MANUFACTURER LOCATED IN HIS DISTRICT.

PHILLIPS SENT HARRINGTON
A LETTER DATED FEBRUARY 16, ALLEGING THAT THE HUNGARIANS ARE DUMPING LIGHT BULBS, AND THAT THIS UNFAIR PRACTICE HAS FORCED PHILLIPS TO CURTAIL ITS EXPANSION PLANS AT ITS PLANT IN LYNN, MASSACHUSETTS. PHILLIPS CLAIMS THAT THE PER UNIT VALUE FOR DUTY PURPOSES OF THE HUNGARIAN BULBS RANGES FROM FIVE AND ONE-HALF TO SEVEN AND ONE-HALF CENTS. THIS IS FORTY PERCENT BELOW THE LOWEST PRODUCTION
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COST ACHIEVED BY PHILLIPS. THE LETTER NOTES THAT THE TARIFF ON THESE LIGHT BULBS WOULD BE REDUCED FROM TWENTY PERCENT TO FOUR PERCENT IF THE TRADE AGREEMENT IS APPROVED.

2. HARRINGTON'S COVER LETTER SAYS IN PART: "THIS DEVELOPMENT IS NOT RECENT, AND IN FACT SEVERAL COMPANIES BESIDE (SIC) NORTH AMERICAN HAVE CONSIDERED BRINGING A FORMAL

DUMPING COMPLAINT TO THE TREASURY FOR MORE THAN A YEAR.

NOW, WITH THE IMPENDING AGREEMENT TO EXTEND MOST-FAVORED-NATION STATUS TO HUNGARY, THEIR SITUATION BECOMES MORE GRAVE. I WOULD APPRECIATE IT IF YOU COULD QUICKLY GIVE YOUR APPRAISAL OF WHETHER A FORMAL DUMPING COMPLAINT SEEMS TO BE WARRANTED IN THIS CASE, OR WHETHER YOU THINK THIS PROBLEM MIGHT MORE INFORMALLY BE ADDRESSED AS PART OF THE CONTINUING NEGOTIATIONS WITH HUNGARY AND WITH THE CONGRESS OVER APPROVAL OF A MOST-FAVORED-NATION AGREEMENT."

3. EB IS DRAFTING A RESPONSE WHICH WILL NOTE THAT THERE IS ANOTHER SIDE TO THE CASE AND WILL DUCK THE ISSUE OF WHETHER THE COMPLAINT IS JUSTIFIED. EB IS ALSO PREPARING Q'S AND A'S ON THE SUBJECT FOR USE IN THE CONGRESSIONAL HEARINGS AND WOULD WELCOME YOUR COMMENTS.

4. WE WILL ALERT THE HUNGARIAN COMMERCIAL COUNSELOR'S OFFICE TO THIS PROBLEM. EGERVARY DID NOT SEEM TO REALIZE THE SIGNIFICANCE OF SUCH A CASE WHEN WE DISCUSSED IT WITH HIM A FEW WEEKS AGO. WE SUGGEST THAT YOU INFORM APPROPRIATE OFFICIALS SO THAT THE PROBLEM CAN BE DISCUSSED IN DETAIL DURING EHRENFHAF'S VISIT NEXT WEEK. YOU WILL RECALL FROM OUR MEMCON OF MARCH 9 THAT WESTINGHOUSE IS PREPARING A SIMILAR COMPLAINT. COOPER

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